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Hi-P posts 2Q2013 net profit of S$10.9 million versus S$2.1 million loss in 2Q2012 on due to higher revenue & better product mix

- Sales up 13.2% to S$285.0 million due to increased orders from existing customers
- Strong net operating cash flow of S$23.9 million and healthy net cash position of S$85.2 million
- Expects 2H2013 sales and net profit to outperform 1H2013

Singapore – 1 August 2013, SGX Mainboard-listed Hi-P International Limited (Bloomberg Ticker: HIP SP, "Hi-P", "赫比国际有限公司" or "the Group"), a global contract manufacturer of smart phones, tablet computers and other consumer electronics, has announced its financial results for the three months ended 30 June 2013 ("2Q2013"). Revenue increased by 13.2% year-on-year (yoy) to S$285.0 million mainly due to increased orders from existing customers, while the better product mix resulted in the reversal from a net loss of S$2.1 million in 2Q2012 to a net profit of S$10.9 million in 2Q2013. Compared to 1Q2013 net profit of S$6.9 million, 2Q2013 net profit had surged by 58.1%.

Financial Highlights

(S$'000)	2Q2013	2Q2012	% Change
Revenue	285,046	251,762	13.2
Gross Profit	28,428	15,110	88.1
Gross Profit Margin (%)	10.0	6.0	+4.0 % points
Profit/(Loss) After Tax	10,890	(2,099)	n.m.
Net Profit Margin (%)	3.8	n.m.	n.m.
Earnings/(Loss) per Share (Sing Cents)	1.32	(0.25)	n.m.
Net Asset Value per Share (Sing Cents)	73.69	68.76	7.2

Gross profit increased 88.1% yoy to S$28.4 million in 2Q2013 mainly due to higher revenue, lesser contribution from high level (higher component content) assembly projects and a positive shift in product mix, partially offset by increased labor costs and overheads.

Total selling & distribution and administrative expenses increased 13.3% yoy to S$22.6 million in 2Q2013. The increase was mainly due to higher staff costs as a result of higher provision for bonus in 2Q2013 which was in line with its turnaround from a net loss after tax in 2Q2012 to a net profit after tax in 2Q2013.

Net interest income decreased 60.1% yoy to S$0.4 million in 2Q2013 mainly due to a decrease in net cash position and deposit interest rates.

Other income decreased 23.8% yoy to S$3.1 million in 2Q2013 mainly due to lower sale of scrap materials and compensation from customers in 2Q2013.

Other expenses became an income of S$3.4 million in 2Q2013 mainly due to two factors. Firstly, a net fair value gain on derivatives of S$2.1 million (2Q2012: loss S$3.1 million) which arose mainly from the lower forward rate, as compared with the contract rate for selling USD and buying RMB, caused by depreciation of USD against RMB. Secondly, a net foreign exchange gain of S$1.8 million which arose mainly from appreciation of USD against SGD.

The Group recorded income tax expense of S$1.7 million in 2Q2013, representing an effective tax rate of 13.7%. The lower effective tax rate, as compared to the respective statutory tax rates of the various entities within the Group, was mainly due to concessionary tax rates obtained by certain China subsidiaries, a reversal of S$0.7 million in tax provision upon tax refund from the local tax authorities in China, and the utilisation of prior years' tax losses which deferred tax assets were not recognized.

As a result of the above factors, the Group achieved net profit after tax of S$10.9 million in 2Q2013.

Net cash generated from operating activities before working capital changes was S$37.7 million in 2Q2013. Net cash generated from operating activities in 2Q2013 amounted to S$23.9 million.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale and short term deposits pledged increased by 19.9% from S$178.6 million as at 31 December 2012 to S$214.2 million as at 30 June 2013.

Current and non-current loans and borrowings decreased by 10.6% from S$144.3 million as at 31 December 2012 to S$128.9 million as at 30 June 2013 mainly due to repayment of loans and borrowings.

Net cash position increased by 148.8% from S$34.3 million as at 31 December 2012 to S$85.2 million as at 30 Jun 2013.

"With our organizational restructuring and decentralized approach since the end of 2012, we have successfully delegated our Business Development function to our three business units – Mechanical Business, OEM/ Flex, and EMS/ ODM. This has created a healthier and more diversified customer base for the Group, contributing to our commendable 2Q2013 performance.

As we gain momentum on business development, cost control and productivity, we will work towards better utilization of the Group's production capacity & capabilities to deliver better results."

Mr. Yao Hsiao Tung (姚晓东), Executive Chairman & CEO

Outlook

The latest Worldwide IT Spending Forecast report by technology research firm Gartner indicates that the smartphone and tablet markets are expected to post yoy growth in revenue of 38.9% and 9.3% respectively for 2013[1]. The Group's emphasis on innovation will allow it to provide existing and potential customers, who are market leaders in the smartphone and tablet markets, with quality and reliable components to address their needs.

For the second half of 2013, the Group will maintain its focus on:

- Ongoing diversification of its customer base.
- Continuous improvement of its cost structure via automation and lean manufacturing.
- Maximizing of shareholder value through profitability and growth.

Over the long-term, the Group's goal is to achieve a sustainable growth rate and be one of the top contract manufacturers in Asia, by providing a one-stop solution to fulfill its customers' needs - from industrial design, component manufacturing to high-level assembly.

Barring any other unforeseen circumstances, the Group wishes to guide its performance as follows:

The Group expects to record higher revenue and profit in 3Q2013 as compared to 3Q2012.

The Group expects to record higher revenue and profit in 2H2013 as compared to 1H2013.

The Group expects higher revenue and profit in FY2013 as compared to FY2012.

-- The End --

[1] Gartner Says Worldwide IT Spending on Pace to Reach $3.7 Trillion in 2013, http://www.gartner.com/newsroom/id/2537815, 2 July 2013

About Hi-P International Limited (Bloomberg Code: HIP.SP)

Hi-P started out in 1980 as a tooling specialist in Singapore and has since grown to become one of the region's largest and fastest-growing integrated contract manufacturers today.

The Group provides one stop solution to customers in various industries, including telecommunications, consumer electronics, computing & peripherals, lifestyle, medical and industrial devices from design, electro-mechanical parts, modules to complete product manufacturing services.

The Group has 14 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen and Suzhou), and in Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in China, Singapore, Taiwan and the USA.

The Group's customers include many of the world's biggest names in mobile phones, tablets, household & personal care appliances, computing & peripherals, lifestyle, medical devices and industrial devices.

For more information, please log on www.hi-p.com

Issued for and on behalf of Hi-P International Limited by Financial PR Pte Ltd

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